

Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC IMMEDIATE 2091

AMEMBASSY TOKYO IMMEDIATE

C O N F I D E N T I A L JAKARTA 5365

EXDIS

E.O. 11652: GDS

TAGS: ENGR, JA, ID

SUBJ: ENERGY: INDONESIA LNG

REF: TOKYO 5666

1. SUMMARY: WIJARSO, GOI DIRECTOR OIL AND GAS (MIGAS) TOLD DEPUTY ASST. SECRETARY ECONOMIC AFFAIRS (EA) EDMOND THAT PERTAMINA HEARD PACIFIC LIGHTING (PL) REP WAS ATTEMPTING INFLUENCE JAPANESE TO REDUCE AGREED LNG PRICES. WIJARSO SAID GOI CONSIDERED THIS "UNFRIENDLY ACT" AND WILL PROBABLY RESULT IN DECISION TO TERMINATE CONTACT WITH PL. END SUMMARY.

2. WIJARSO SAID FOLLOWING CONCERNING SALE LNG TO PL DURING COURTESY CALL BY LESTER EDMOND ON MAY 2. SEVERAL WEEKS AGO PL AGREED IN PRINCIPLE THAT THERE SHOULD BE INCREASE IN PRICE LNG TIED TO COST OTHER ENERGY SOURCES, BOTH IMPORTED AND DOMESTIC (US). HOWEVER, DISCUSSIONS BOGGED DOWN ON SPECIFICS WITH PL- PERTAMINA UNABLE REACH AGREEMENT ON PRICE. PERTAMINA WAS CONSIDERING ACCEPTANCE OF PL PROPOSAL TO DEFER DECISION ON PRICE FOR SIX MONTHS BUT RECENTLY LEARNED PL REP IN TOKYO WAS ATTEMPTING TO INFLUENCE JAPANESE TO LOWER AGREED LNG PRICE. WIJARSO SAID, "WE CONDER THAT AN UNFRIENDLY ACT AND WILL PROBABLY ACCELERATE DECISION TO TERMINATE DISCUSSIONS WITH PL".

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3. EDMOND RESPONDED THAT THERE PROBABLY WAS MISUNDERSTANDING SINCE HE RECENTLY TALKED WITH PL VP PROCTOR IN TOKYO. HE SAID IT WAS HIS UNDERSTANDING PURPOSE PROCTOR'S VIST WAS TO DISCUSS JAPANESE APPROACH TO PRICING GENERALLY AS WELL AS POSSIBLE FUTURE PROJECTS AND THAT PROCTOR DID NOT APPEAR TO INTEND TO ASK JAPANESE TO RENEGOTIATE CONTRACT. WIJARSO RESPONDED NON-COMMITTEDLY ADDING THAT TIRTO UTOMO (PERTAMINA) IS ATTEMPTING CONTACT PL FOR CLARIFICATION. HE ALSO SAID PERTAMINA HAD HOPED THAT, EVEN IF PRESENT LNG SALE FELL THROUGH, IT WOULD BE POSSIBLE TO NEGOTIATE FUTURE CONTRACT WITH PL IF LARGE GAS DEPOSITS FOUND IN OTHER LOCATIONS SUCH AS IRIAN JAYA (WEST IRIAN).

4. COMMENT: WIJARSO GAVE DISTINCT IMPRESSION THAT DYE IS CAST TO TERMINATE DISCUSSIONS WITH PL.

5. AS WE FEARED, INDONESIANS HAVE LEARNED OF AND REACTED ADVERSELY TO PL CONTACTS WITH JAPANESE. IN EVENT INDONESIANS ALSO BECOME AWARE OF EMBASSY TOKYO INVOLVEMENT, WE INTEND TO SAY THAT WE UNDERSTAND EMBOFF DID ACCOMPANY PL REP TO CALL ON MITI (GOJ) OFFICIAL AT REQUEST PL IN PURSUANCE NORMAL EMBASSY ASSISTANCE TO U.S. FIRM.

6. SEPTTEL FOLLOWS FOR WIJARSO'S COMMENTS ON EXIM FINANCING FOR LNG PROJECTS.
NEWSOM

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, NATURAL GAS, POLICIES, CONTRACTS, NEGOTIATIONS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 02 MAY 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974JAKART05365
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740105-0234
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740580/aaaactyx.tel
Line Count: 87
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: TOKYO 5666
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 24 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 JUL 2002 by kelleyw0>; APPROVED <16 JAN 2003 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ENERGY: INDONESIA LNG
TAGS: ENRG, JA, ID, US, PACIFIC LIGHTING, (PROCTOR)
To: STATE TOKYO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005